

JOINT COMMITTEE ON TAX POLICY

Missouri Economic Development Code

Per Section 99.799.1, RSMo, “The joint committee on tax policy shall conduct a study of the feasibility of creating a program to allow municipalities within the state to engage in tax increment finance-like projects with optional tax abatement in any area of such municipality regardless of the existence of blight. The committee shall report its findings to the general assembly no later than December 31, 2007.”

Summary:

Below is a summary from the perfected version of House Bill 741 of the 2007 legislative session concerning the creation of a tax increment financing-like program commonly referred to as the Missouri Economic Development Code.

The Missouri Economic Development Code is established; and if provisions of the code are inconsistent with the provisions of any other law, the code will be controlling. Each municipality or county may create a Missouri economic development code job creation commission, but it will only be able to conduct business if approved by the governing body by an order or ordinance. In order to be approved, the governing body must make certain findings which are specified in the act. Each commission will be governed by a board of commissioners. The code cannot be used for any residential development project, if the taxes that would normally go to the school district would be used to finance the project, unless the school boards of all school districts located in the area of the project consent to the project.

The code is prohibited from being used in conjunction with any other redevelopment program authorized under Chapter 99, RSMo. These programs include tax increment financing and the Missouri Downtown Economic Stimulus Act. The act specifies:

- (1) The commission's membership and powers;
- (2) The items which must be included in a development plan and the findings which must be made for a municipality or county to adopt the plan. The findings must include a cost-benefit analysis of the economic impact the development plan will have on the municipality, county, and school districts that are within the development area. The initial development or redevelopment of a gambling establishment is prohibited. The development project must be completed and all debts retired within twenty-five years;
- (3) The requirements for public hearings related to the project;

(4) The manner in which obligations may be issued and retired; and

(5) The manner in which payments in lieu of taxes and economic activity taxes will be allocated while development financing is undertaken.

Testimony:

Ray McCarty, Missouri Economic Development Council & John Mehner, President of Cape Girardeau Chamber of Commerce & Ben Jones, CEO of America's Heartland Economic Partnership

Under provisions of the code, developers will enter into agreements with taxing entities to forgo property tax revenue that would otherwise be collected by the taxing districts. Eligible types of projects include retail projects, Greenfield sites, roads, additional parking, etc. The agreement is completely voluntary on behalf of the taxing entities. They can also agree to forgo any percentage of the property tax revenues from the new development but they must commit to the agreed to percentage over time. The Missouri Economic Development Code cannot be used in conjunction with other redevelopment programs outlined in Chapter 99, RSMo including tax increment financing and the Missouri Downtown Economic Stimulus Act. The Code cannot be used for residential developments

Recommendation:

The Joint Committee on Tax Policy has examined the feasibility of creating a program to allow municipalities within the state to engage in tax increment finance-like projects with optional tax abatement in any area of such municipality regardless of the existence of blight and recommends that the General Assembly further examine and debate such a program during the legislative session.